

employee fringe benefit. Subsidization of student meals shall be included as other direct expenses in either EDU or GME cost centers.

- (f) Gift and Coffee Shops revenue and expense (including sales tax expense) as well as other activities which may be supported by volunteers shall be excluded from Services Related to Patient Care. Net gains from the operation of gift and coffee shops operated by volunteers shall not be offset against Costs Related to Patient Care (Case C).
- (g) Services Rendered to Staff physicians by a hospital which normally would be incurred in a physician's private practice, such as the provision of medical secretarial services, shall be excluded and treated as Case C so long as the physician's compensation is not provided through agreement with a hospital.
- (h) Parking lot or parking garage expenses and revenues at the site of the hospital shall be netted and the remainder apportioned between employees and others. The provision of parking facilities to:
1. Employees shall be included - Losses incurred from the operation of an employee parking lot shall be included as an employee fringe benefit:
 2. Staff physicians parking shall be included and treated as Case B.

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3. Others shall be included as Case B if the hospital's charge for parking is not substantially inconsistent with other parking facilities in the community where the hospital is located. If the Commission determines that the hospital's parking charges are not competitive with other parking facilities, the provision of parking to others shall be treated as Case C.

(i) Non-Patient Room and Board expenses and revenues shall be netted and apportioned among employees, students and others. Sufficient accounting records shall be maintained to identify all related expenses as well as number of persons housed. The provision of Room and Board to:

1. Employees and residents (including rotating residents who spend some portion of their residency at the hospital) shall be included. Losses incurred from housing an employee shall be included as an employee fringe benefit as Case B, see section 6.22(d).

2. Students shall be included if in an approved educational program. Losses incurred from housing a student shall be assigned to Nursing and Allied Health Education (EDU) section 6.72 and Graduate Medical Education (GME) Case B, see section 6.73, or Non-Approved Education and Research as Case A.

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3. Others not involved with the patient services of the hospital shall be excluded (Case A).

6.31 Patient convenience items

- (a) Television and Radio provided to patients shall be excluded and net gains or losses from such services shall be treated as Case C.
- (b) Telephone and Telegraph services provided to patients, including the appropriate portion of the hospital's switchboard costs shall be excluded and net gains or losses from such services shall be treated as Case C.
- (c) Luxury Meals and Items provided to patients or guests shall be excluded and treated as Case A.
- (d) Non-Patient Room Rental Income generated from boarders related to or visitors of a patient shall be excluded from Revenue Related to Patient Care and treated as Case B.
- (e) Private-Duty Nursing Services where provided through the hospital at the request of the patient and not prescribed by the attending physician shall be excluded and treated as Case C.
- (f) Private Room Differential Income above a hospital's most common charge for a semi-private room for similar routine services, when

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specifically requested by the patient shall be excluded and treated as Case C. Where ordered by the attending physician for medical necessity, income shall be excluded and treated as Case C. Hospitals should maintain separate revenue classifications for medically necessary and patient convenience private room revenue. Patients admitted or transferred to private rooms because of the unavailability of semi-private rooms shall be charged at the semi-private room rate, with a courtesy allowance (Policy Discount) generated for the differential. No attempt shall be made to identify private room Routine Service cost differentials.

6.32 Administrative items

(a) Administrative Expense Exclusions, as listed in this section, shall not be included in Costs Related to Patient Care and, as such, shall not be included in expenses defined as General Administrative Services (Case C);

1. Life insurance premiums for employees where the hospital is the direct beneficiary;

2. Stockholders servicing costs, such as those incurred to schedule and hold annual meetings;

3. Advertising costs, conducted by hospital personnel or agents of the hospital, which are directed at increasing utilization or

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medical staff membership, except where attempts to increase medical staff membership is for the procurement of a scarce medical service needed in the service area of the hospital;

4. Costs of membership in organizations not related to the development and operation of the hospital and the rendering of patient care services (e.g. social or fraternal organizations) shall not be included as an employee fringe benefit; and

5. Monies paid by a hospital to the home office, corporate or order headquarters for:

i. Non-patient care related enterprises;

ii. Abandoned home office planning costs for construction of a new facility; or

iii. The imputed value of services performed by non-paid workers in the case of religious orders.

(b) Income and Other Taxes including penalties for late payment of taxes (see section 6.16 for full description) shall not be included as Costs Related to Patient Care and, as such, shall not be included in expenses defined as General Administrative Services (see section 6.74).

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- (c) Purchase Discounts, revenue from rebates and quantity discounts shall be reported as expense recoveries.
- (d) Non-Capital Interest Expenses (interest other than interest on Capital Facilities or Major Moveable Equipment) shall be excluded from Costs Related to Patient Care since short-term borrowing, etc. is addressed through the Financial Element Working Capital Requirements (see section 6.27(a)) (Case C).
- (e) Interest Expense for Major Moveable Equipment shall be excluded from Costs related to Patient Care and treated as Case C. However, hospitals under the "Conditional Accept" or "Not Accept" options, may appeal to the Director to have this interest expense or the interest expense in (d) above included in their PCB.

6.33 Non-operating revenues (net of expenses)

- (a) Income, net of expenses, or Investment in Rental Property to physicians or others shall be excluded from Revenue Related to Patient Care and treated as Case A.
- (b) Income or Investment, net of transaction expense, of Operating Fund and/or interest income from financial charges on delinquent accounts receivable shall be applied as offsets against Costs Related to Patient Care and treated as Case B.

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- (c) Income or Investments, net of transaction expense, of Board Designated Funds shall not be included in Costs Related to Patient Care and treated as Case C.
- (d) Unrestricted Income from Donor Restricted Plant and Endorsement Funds shall not be included in Revenue Related to Patient Care and treated as Case C.
- (e) Transfer from Restricted Funds, other than Specified Purpose Funds (i.e. expenditures from principal and interest on gifts which are donor restricted) shall not be included as Revenue Related to Patient Care and treated as Case C.
- (f) Unrestricted Donations, net of Funding Raising Costs, shall not be included as Revenue Related to Patient Care and treated as Case C.
- (g) Transfer of Specific Purpose Funds to the Unrestricted Fund and Specific Purpose Grants and other funds received from the Federal Government, New Jersey State Government, New Jersey Heart Association, or other governmental or charitable organizations shall be offset against Costs Related to Patient Care (with the exception of those from the Graduate Medical Education Program for primary care residency programs in Family Practice, Internal Medicine, Pediatrics or Obstetric/Gynecology). However, grants on behalf of the medically indigent shall be reported as contra-deducted from Gross Revenue Related to Patient Care (operating). "Seed Money" received with a grant shall be similarly offset against operating expenses unless

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this would result in grants being withheld from New Jersey institutions (Case B).

- (h) Primary Care Residency Specific Purpose Grants and income from primary care residency specific purpose funds (i.e. grants for the support of LCGME approved residency program in Family Practice, Internal Medicine, Pediatrics, Obstetrics/Gynecology) shall not offset the costs of such programs and treated as Case C.
- (i) Interest Income on Trustee-held funds related to borrowings or loans is a Case B, unless a hospital is prohibited from using the funds to offset current debt service obligations. If the hospital is prohibited from using the funds, the interest and income earned shall be a Case C until these funds are released for the hospital's benefit.

6.34 Reporting of Costs and Revenues

Costs and Revenues Related to Patient Care shall be reported per the following definitions and in accordance with the requisite reporting provisions found in Sections 6.10 to 6.33.

6.35 Medical-Surgical Acute Care Units (MSA)

- (a) The functions of Medical-Surgical Acute Care Units (MSA) are as follows:

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1. Medical-Surgical Acute Care Units provide care to patients on the basis of physicians' orders and approved nursing care plans. Medical-Surgical Acute Care shall include the cost and revenue associated with services to all patients treated in beds normally designated as Medical-Surgical, regardless of the clinical specialty of attending physicians or age of the patient. Include the cost and revenue of beds designated as definitive observation or intermediate care (i.e., "step down") beds.
2. Revenue generated from charge differentials between private and semi-private rooms (except those assigned for medical necessity) shall be reported were, and also as a reconciliation. Medical and Surgical Supplies should be reported in accordance with section 6.23.
3. Functions include serving and feeding of patients; collecting sputum, urine; and feces samples; monitoring of vital life signs; operating of specialized equipment related to this function; preparing of equipment and assisting of physicians during patient examination and treatment; changing of dressings and cleansing of wounds and incisions; observing and recording emotional stability of patients; assisting in bathing patients and helping into and out of beds; observing patients for reaction to drugs; administering specified medication; infusing I.V. fluids; answering to patients' call signals; and keeping patients' room ~~personal~~ personal effects) in order.

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- (b) Units of Service: Patients (Admissions and Transfers In) and Patient Days.

6.36 Obstetric Acute Care Unit (OBS)

- (a) The functions of Obstetric Acute Care Unit (OBS) are as follows:

1. The provision of care to the mother before, during and following delivery on the basis of physicians' orders and approved nursing care plans shall be provided in the Obstetric Acute Care Unit. Obstetrics may include services to clean gynecological patients treated in beds licensed by the Department of Health as obstetrics.
2. All revenue generated from charge differentials between private and semi-private rooms (except those assigned for medical necessity) shall be reported as a reconciliation. Medical and Surgical Supplies shall be reported in accordance with section 6.23.
3. Functions shall include: instructing of mothers in postnatal care and care of the newborn; feeding of patients; collecting of sputum, urine and feces samples; monitoring of vital life signs; operating specialized equipment related to this function; preparing of equipment and assistance of physician in changing of dressings and cleansing of wounds and incisions; observing

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